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Report Highlights:

South Africa's corn crop planted in 2005 is currently estimated at 6.375 million tons, a dramatic decline from the 11.7 million tons produced in 2004. The decrease is due to a voluntary 45% cutback in area planted in an effort to balance supply and demand and bolster prices. Prices have increased but so has the demand for imports while export demand declined. The crop should, however be able to supply the local and usual export demand for white corn while the yellow corn shortage is being met by imports.

Includes PSD Changes: Yes

Includes Trade Matrix: No

Unscheduled Report

Pretoria [SF1]

[SF]

Summary

In an effort to balance corn supply and demand South African commercial farmers cut the area planted by 45% from 2.8 million ha. in 2004 to 1.5 million ha. in 2005. As a result the crop is expected to decline by 47% from 11.45 million tons to 6.06 million tons. After a slow start to the 2005/06-rainfall season, precipitation improved from mid December while heavy rains followed in January, February and March. At the moment the far western production areas are either flooded or waterlogged and substantial damage is feared. A lack of sunlight and heat increments and the leaching of fertilizer are compounding the problems. The second official crop estimate quoted above was already 2.5% lower than the initial estimate and a further decrease is expected. Further untimely cold weather and early frost can still cause substantial damage to the crop.

Due to an estimated carry over of about 3 million tons at the end of April 2006 the commercial crop should be sufficient to supply the local need of about 8 million tons. The problem is that the market is divided between white corn for human consumption and yellow corn for animal feed. White corn stocks should be sufficient for domestic and traditional export needs while yellow corn is being imported to make up the shortfall. The net result of the exercise is that prices for 2006 have increased to about \$190/mt. for white and \$160/mt. for yellow corn.

US\$1 = Rand 6.25 (03/30/06)

www.sagis.org.za
www.grainsa.co.za
www.safex.co.za
www.fews.net
www.wfp.org

CORN

PSD Table

Country	South Africa					
Commodity	Corn					
1000 HA	2004	Revised	2005	Estimate	2006	Forecast
1000 MT	USDA [Old]	Post [New]	USDA [Old]	Post [New]	USDA [Old]	Post [New]
Market Year Begin	05/2005		05/2006		05/2007	
Area Harvested	3223	3223	2200	1980	0	2500
Beginning Stocks	2956	2935	2872	3000	1722	300
Production	11716	11715	7500	6375	0	9000
TOTAL Mkt. Yr. Imports	250	360	700	750	0	700
Oct-Sep Imports	131	140	250	470	0	700
Oct-Sep Import U.S.	0	4	0	0	0	0
TOTAL SUPPLY	14922	15010	11072	10125	1722	10000
TOTAL Mkt. Yr. Exports	2100	2200	400	750	0	500
Oct-Sep Exports	1517	2600	1200	1200	0	500
Feed Dom. Consumption	4800	5100	4400	4400	0	4500
TOTAL Dom. Consumption	9950	9810	8950	9075	0	9000
Ending Stocks	2872	3000	1722	300	0	500
TOTAL DISTRIBUTION	14922	15010	11072	10125	0	10000

Production

The second official production estimate and the revised area planted estimate for the FAS 2005 commercial corn crop were released on March 23, 2006. The area planted is estimated at 1.55 million hectares and the crop at 6.1 million tons. The area planted is 45% smaller than the previous season and the crop is down 47%. The decline is mainly due to a voluntary cutback in production in an effort to balance supply and demand.

After a late start to the rainfall season precipitation picked up in December and January, February and March rainfall was very good, even excessive in some areas. The crop in the east was well developed and only needed a few weeks of sunshine to mature. Unfortunately the recent weather was mostly overcast with very little sunlight and decreased heat increments. Retarded growth and maturity lead to cobs not filling out fully which affects the yield. Late plantings in the far western areas have not yet matured and are being affected by the cold and overcast weather. At the moment big areas of the North West Province and the northwestern Free State are still flooded or waterlogged and suffering from an outbreak of Northern Leaf Blight which is affecting yields and we foresee a further decline in the crop estimate. There was also a small correction made to the area planted estimate to include very late plantings. Crop yields have, however, lost the potential to increase, and we will not see a second consecutive yield record being achieved.

Although the 2005 irrigated area planted has not been released, the 2004 plantings amounted to 70,000 ha. white corn and 120,000 ha. yellow for a total of 190,000 ha. This was only about 7% of the area planted in 2004 but if the same area were irrigated in 2005 it would amount to about 12.3%. At 10 tons plus per hectare the irrigated production thus plays a bigger role in total production and increases the average yield for the whole crop.

The crop in the developing sector has also been announced at 317,000 tons from 432,000 hectares, an improvement on the previous crop. As a result of the cutback in the area planted in the commercial sector, the area and production in the developing sector plays a more important role in the total crop and the average yield.

We also forecast the 2006 season - this is the crop to be planted from November 2006. As the 2005 situation is still very unsettled we have to consider the possible after effects of the 2005 cutback in area planted. The current high prices are likely to restore some of the area to corn while we can only use recent average yields trends at this stage.

A production estimate based on the year of planting and normal rainfall from now on follows:

CORN	2004 area '000 ha.	Yield MT/ha	Prod. '000 MT	2005 area '000 ha.	Yield MT/ha	Prod. '000 MT	2006 Area '000 ha.	Yield MT/ha	Prod. '000 MT
Com.									
White	1,700	3.8	6,540	973	3.8	3,670	1,300	4.1	5,325
Yellow	1,110	4.4	4,910	575	4.2	2,390	800	4.3	3,425
Total	2,810	4.1	11450	1,548	3.9	6,060	2,100	4.2	8,750
Dev.									
White	325	0.6	203	349	0.7	238	325	0.6	200
Yellow	89	0.7	63	86	0.9	79	75	0.7	50
Total	414	0.6	266	432	0.7	317	400	0.6	250
Total corn									
White	2,025	3.3	6,743	1,319	3.0	3,908	1,625	3.4	5,525
Yellow	1,199	4.1	4,973	661	3.7	2,469	875	4.0	3,475
TOTAL	3,224	3.6	11716	1,980	3.2	6,377	2,500	3.6	9,000

The 2004 and 2005 area and production estimate for the main production areas, the Free State, North West and Mpumalanga, follows:

	Area	'000	Ha	Yield	MT/ha		Prod.	'000	MT
	White	Yellow	Total	White	Yellow	Total	White	Yellow	Total
Free State									
2004	660	385	1045	4.0	3.8	3.9	2658	1455	4113
2005	340	193	533	3.9	3.6	3.8	1309	693	2002
North West									
2004	680	215	895	3.2	3.2	3.2	2185	678	2863
2005	375	112	487	3.0	2.9	3.0	1125	325	1450
Mpumalanga									
2004	224	336	560	5.1	5.0	5.0	1134	1673	2807
2005	154	182	336	4.5	4.4	4.5	693	801	1494
Total									
2004	1700	1110	2810	3.9	4.4	4.1	6541	4909	11450
2005	973	575	1548	3.9	4.2	3.9	3670	2390	6060

Consumption

We include commercial silo deliveries for March and April in our delivery figure as, depending on the season, the new crop becomes available from March each year. We would normally expect to receive only a few thousand tons in February.

Commercial deliveries up to the end of February 2006 are shown in the following table:

Deliveries '000 MT	White corn	Yellow corn	Total corn
March 2005	18	53	71
April	37	104	141
May – Febr.	6,065	3,892	9,957
TOTAL	6,120	4,049	10,169
Crop estimate	6,540	4,910	11,450
Farm retentions	420	861	1,281

There is still more than 1.2 million tons of the revised 2004 crop unaccounted for. We can consider this as farm retentions although it is much higher than the usual estimate of 450,000 tons (100,000 tons white and 350,000 tons yellow) retained on farms. It can also be assumed that a portion of the additional retentions is being stored for later sale.

A commercial PS&D based on deliveries can be supplied to highlight the current situation.

FAS 2004	May05/April 06	Commercial S&D	'000 MT
'000 Metric tons	White	Yellow	Total
B/Stocks, May 1, 05	2345	590	2935
Revised Production	6540	4910	11450
Deliveries, March –Febr.	6120	4050	10170
Farm retentions	420	860	1280
Imports	0	360	360
Total supply	8465	5000	13465
Expected exports	1800	400	2200
Expected consumption	4665	3600	8265
Ending stocks	2000	1000	3000

We can also supply a 2006/07 scenario based on the second official crop estimate, in this table it shows that white corn supplies should be sufficient to carry through the 2006/07 marketing year and allow for some exports. The higher price levels are likely to suppress domestic and regional demand. White corn conforming to South Africa's Biotech requirements will be hard to find in the world market. If the situation becomes tight imports can always be milled near the ports restricting whole grain movement. The South African industry is, however, finding it more and more difficult to effectively separate Biotech and non-Biotech corn and with cross contamination both in the fields and in the handling equipment it will soon become difficult to supply non-Biotech certification. Yellow corn supplies will be tight but the shortfall can be made up by suitable Biotech imports from Argentina. From January to March 24, 247,385 tons were imported and unloaded in the ports of Cape Town, Port Elizabeth, East London and Durban.

The following table contains the details:

FAS 2005 forecast	MY May 06/April 07	Commercial S&D	'000 MT
1,000 MT	White	Yellow	Total
B/Stocks	2000	1000	3000
Crop estimate	3670	2390	6060
Farm retentions	120	390	510
Expected Deliveries	3550	2000	5550
Imports	0	750	750
Supply	5550	3750	9300
Exports	700	50	750
Consumption	4700	3550	8250
E/Stock	150	150	300

The low ending stocks shown is not a concern as irrigation farmers will be encouraged by the higher price levels and plant early to enjoy the higher prices.

Trade

In the meantime exports continue unabated with about 130,000 tons exported in the first three weeks of March. Zimbabwe continues to be the main market taking 58% of white corn exports through March 24 and is averaging about 88,000 tons per month. Both Malawi and Zambia is expected to pick up their rate of imports substantially to avert famine. Current high price levels and clogged supply lines are slowing down the process. The high prices also killed off the possibility of major overseas sales as well as dampening the World Food Program's appetite for South African corn.

The following table shows South Africa's 2005/06-corn trade to date.

Exports	03/4-10	03/11-17	03/18-24		05/04/03-06/03/24
White Corn					
Angola	818				14 162
Benin					2 278
Botswana	1925	1952	2632		160 536
Cameroon					2 743
Chad					151
Ghana					7 638
Kenya					33 614
Lesotho	2830	2642	2156		75 382
Madagascar					967
Malawi	3369	3525	6429		63 335
Mali					2 258
Mozambique	2475	2486	3840		128 899
Namibia	3103	990	2904		48 843
Sudan					28 272
Swaziland		413	543		22 154
Tanzania					10 000
Zambia	5505	4852	3151		74 139
Zimbabwe	43948	13928	7270		949 843
Total	63973	30878	28925		1 625 214
Yellow					
Angola					204
Botswana	358	481	445		19 918
Indonesia					49 500
Iran					93 284
Japan					113 098
Lesotho					1 647
Malawi	151	90			359
Mozambique	976	254			9 445
Namibia	871	70	209		16 495
Swaziland	824	760	352		30 601
Zambia					189
Zimbabwe	603	728	823		8 437
Total	3783	2383	1829		343 177
Grand total	67456	33261	30754		1 968 391
Imports					
Yellow corn					
Argentina	5691	20420	14770		247 385

We can also supply a calendar year trade matrix but the official SA Revenue Service data published recently contains some anomalies that need to be rectified. As the SARS figures as supplied by the World Trade Atlas (WTA) is for the Southern African Customs Union it does not include sales to the union members Botswana, Lesotho, Namibia and Swaziland. This must thus be added to the SARS data. In the meantime we can compare the SAGIS and SARS figures for CY 2005.

CY 2005 Corn Exports	White	Yellow	Total SAGIS	Total SARS
Total	1,521,852	334,079	1,855,931	2,949,965
Zimbabwe	867,478	1,910	869,388	1,443,747
Botswana	168,736	15,093	183,829	Na
Mozambique	127,893	7,488	135,581	155,334
Japan	0	113,098	113,098	474,836
Lesotho	92,695	4,649	97,344	Na
Iran	0	93,284	93,284	72,000
Namibia	60,460	16,477	76,937	Na
Swaziland	27,833	31,839	59,672	Na
Indonesia	0	49,500	49,500	49,500
Kenya	42,099	0	42,099	83,143
Malawi	36,889	0	36,889	85,015
Sudan	28,272	0	28,272	0
Angola	23,443	741	24,184	42,015
Zambia	21,139	0	21,139	55,806
Tanzania	10,000	0	10,000	107
Ghana	7,638	0	7,638	249,901
Benin	2,278	0	2,278	149,870
Mali	2,258	0	2,258	2,688
Cameroon	1,774	0	1,774	33,135
Madagascar	967	0	967	2,543
Others	0	0	0	50,325

SAGIS: BLNS Sales only

Botswana	168 736	15 093	183 829
Lesotho	92 695	4 649	97 344
Namibia	60 460	16 477	76 937
Swaziland	27 833	31 839	59 672
Total	349 724	68 058	417 782

Prices

The main reason for the production cutback this year was the low SAFEX prices after harvest in 2005. In June 2005 both white and yellow corn prices for August, October and December were well below \$100/ton, or R600/ton at the current exchange rate. This was due to the usual post harvest price slump and the commercial crop estimate of 12 million tons at that stage implying a big surplus. Farmers claimed that the \$100/ton was below their cost of production and decided to cut back the area planted in 2005. This had a major effect on SAFEX prices. SAFEX is a volatile market with the March 06 white corn price nearly doubling from June to December 2005 and the yellow corn price increasing by 50%.

The following table shows current SAFEX futures prices.

Rand/MT	US\$/MT			
White corn	December 05	March 06	August 05	October 05
06/27/05	R634=\$94.5	R670=\$99.9	R574=\$85.5	R593=\$88.4
07/27/05	R671=\$100.9	R709=\$106.6	R619=\$122.6	R632=\$107.8
08/31/05	R735=\$114.0	R766=\$118.8	May 06	R695=\$107.8
09/30/05	R847=\$133.4	R868=\$136.7	R867=\$136.5	R823=\$129.6
11/03/05	R834=\$125.4	R851=\$128.0	R856=\$128.7	July 06
11/30/05	R959=\$147.5	R978=\$150.5	R975=\$150.0	R980=\$150.8
12/27/05	September 06	R1227=\$193.2	R1204=\$189.6	R1195=\$188.2
01/26/06	R1110=\$185.0	R1076=\$179.3	R1075=\$179.2	R1091=\$181.8
03/06/06	R1150=\$187.0	December 06	R1120=\$182.1	R1132=\$184.1
03/29/06	R1183=\$189.3	R1212=\$193.9	R1152=\$184.3	R1164=\$186.2
Yellow corn	December 05	March 06	August 05	October 05
06/27/05	R669=\$99.7	R705=\$105.1	R607=\$90.5	R629=\$93.7
07/27/05	R667=\$100.3	R697=\$104.8	R625=\$94.0	R635=\$95.5
08/31/05	R683=\$105.9	R708=\$109.8	May 06	R645=\$100
09/30/05	R772=\$121.6	R780=\$122.8	R786=\$123.8	R755=\$118.9
11/03/05	R777=\$116.8	R789=\$118.6	R801=\$120.9	July 06
11/30/05	R797=\$122.6	R804=\$123.7	R837=\$128.8	R814=\$125.2
12/27/05	September 06	R995=\$156.7	R1005=\$158.3	R1005=\$158.3
01/26/06	R975=\$162.5	R970=\$161.7	R964=\$160.7	R960=\$160.0
03/03/06	R1000=\$162.6	December 06	R993=\$161.5	R995=\$161.8
03/29/06	R1045=\$167.2	R1072=\$171.5	R1030=\$164.8	R1029=\$164.6

WHEAT

PSD Table

Country	South Africa					
Commodity	Wheat					
1000 HA	2004	Revised	2005	Estimate	2006	Forecast
1000 MT	USDA [Old]	Post [New]	USDA [Old]	Post [New]	USDA [Old]	Post [New]
Market Year Begin	10/2004		10/2005		10/2006	
Area Harvested	830	830	800	801	0	821
Beginning Stocks	598	598	560	594	560	500
Production	1680	1680	1800	1886	0	1800
TOTAL Mkt. Yr. Imports	1396	1395	1300	1100	0	1100
Jul-Jun Imports	1407	1350	1300	850	0	1100
Jul-Jun Import U.S.	270	265	0	250	0	0
TOTAL SUPPLY	3674	3673	3660	3580	560	3400
TOTAL Mkt. Yr. Exports	324	325	350	325	0	325
Jul-Jun Exports	338	350	350	325	0	320
Feed Dom. Consumption	10	9	10	10	0	15
TOTAL Dom. Consumption	2790	2754	2750	2755	0	2760
Ending Stocks	560	594	560	500	0	315
TOTAL DISTRIBUTION	3674	3673	3660	3580	0	3400

Production

The Crop Estimates Committee published the first planting intentions survey on March 23. Farmers indicated that they intended to plant 820,900 ha. to wheat later this year, 2.5% more than the 800,500 ha. planted in 2005. Given the big areas of fallow land in the Free State and Northwest and the high soil moisture levels the small increase is a bit disappointing but farmers have now learnt to produce for a market. Price competition from imported wheat is fierce mainly due to the strong SA Rand.

The 820,000 ha. to be planted is likely to produce about 1.8 million tons, well short of domestic needs of nearly 2.8 million tons and the big imports are expected to continue.

Consumption

Milling for the human market increased by 3.1% from 2.653 million tons in 2003/04 to 2.736 million tons in 2004/05. From October to February 2005/06 milling amounted to 1.104 million tons, 1% more than in the corresponding months in 2004/05. Growth is slow and barely keeps pace with population growth.

Trade

In MY 2003/04 South Africa exported 158,000 tons of South African wheat and flower and 220,000 tons of imported wheat for a total of 378,000 tons. In MY 2004/05 exports of local stocks also amounted to 158,000 tons while exports from imported stocks amounted to 168,000 tons for a total of 326,000 tons. In 2003/04 imports for own use amounted to 1.042 million tons and for re-export 236,000 tons to total 1.278 million tons. In 2004/05 imports for own use amounted to 1.227 million tons and 168,000 tons for re-export to total

for 1.395 million tons. Imports and exports for the current season from October 2005 to March 24, 2006 follow:

Exports	MT	Imports	For Africa	For South Africa
Botswana	31,898	USA	19,674	77,127
Lesotho	48,896	Australia	0	59,927
Namibia	7,727	Argentina	12,597	134,088
Swaziland	19,106	Germany	41,768	136,158
Zambia	23,202	Ukraine	0	60,754
Total	130,829	Total	74,039	468,054

Prices

Current SAFEX futures market prices are:

Rand/MT \$/MT	May 06	July 06	September 06	December 06
03/30/2006	R1430=\$228.8	R1443=\$230.9	R1470=\$235.2	R1400=\$224.0

